

Message Text

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12

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 FEA-02

AGR-20 DRC-01 CEA-02 STR-08 /195 W

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R 150923Z JAN 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 2043

INFO AMEMBASSY TOKYO

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: EGEN, KS

SUBJ: NEW ECONOMIC MEASURES

REF: A) SEOUL 294 (NOTAL); B) CERP

SUMMARY: PRESIDENT PARK ON JANUARY 14 PROCLAIMED A WIDE RANGE OF EMERGENCY ECONOMIC MEASURES DESIGNED TO COPE WITH INFLATION, RESOURCE SHORTAGES AND THREATENED UNEMPLOYMENT. MAIN EFFECTS ARE TO REDUCE TAXES FOR LOW INCOME GROUPS, RAISE TAXES ON LUXURY ITEMS, GENERATE BUDGET SURPLUS THROUGH REDUCED EXPENDITURES, INCREASE RICE PRICE AND SUBSIDIZE LOANS TO SMALL BUSINESS. MEASURES ALSO SEEK TO END LABOR ABUSES AND COMMODITY PROFITEERING. END SUMMARY

1. IN SWEEPING "EMERGENCY DECREE NO. 3 TO STABILIZE NATIONAL LIVELIHOOD", ROKG ON JANUARY 14 ANNOUNCED DETAILED TEN-POINT PROGRAM UNDER ARTICLE 53 OF CONSTITUTION TO DEAL WITH PROBLEMS OF INFLATION, SHORTAGES AND UNCLASSIFIED

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POSSIBLE UNEMPLOYMENT GENERATED BY "WORLDWIDE ECONOMIC

CRISIS." MAIN OBJECTIVES ARE TO ASSIST LOW INCOME GROUPS, CONSERVE RESOURCES AND MAINTAIN ECONOMIC GROWTH AND STABILITY. PRESIDENTIAL ANNOUNCEMENT IMPLIES SUBSTANTIAL PRICE INCREASES IN NEAR FUTURE ARE INEVITABLE. FOLLOWING MEASURES ADOPTED:

2. IN 1974 ONLY, INCOME TAXES HAVE BEEN ELIMINATED FOR THOSE EARNING 50,000 WON PER MONTH OR LESS AND HAVE BEEN REDUCED FOR THOSE IN 50-100 THOUSAND WON CATEGORY. THIS MEASURE BENEFITS NEARLY ALL TAXPAYERS. INTRODUCTION OF NEW NATIONAL WELFARE PENSION FUND HAS BEEN POSTPONED ONE YEAR TO JANUARY 1975 THUS SUSPENDING EMPLOYER AND WORKER CONTRIBUTIONS OF 4 PER CENT AND 3 PER CENT. NEW LOCAL HOUSEHOLD TAX ALSO SUSPENDED FOR ONE YEAR.

3. TAXES ON PUBLIC TRANSPORTATION REDUCED OR ELIMINATED EFFECTIVE FEBRUARY 1 TO MODERATE EXPECTED INCREASES IN TRANSPORTATION COSTS.

4. RICE PRICE PAID TO FARMER HAS BEEN INCREASED NEARLY 5 PER CENT RETROACTIVELY ON ALL GOVERNMENT PURCHASES OF 1973 CROP. GOVERNMENT PURCHASES ARE ALSO TO BE INCREASED. RETAIL CEILING PRICE ON RICE ALSO RAISED BY 500 WON PER SOK ALTHOUGH RICE HAS BEEN SELLING BELOW CEILING.

5. SPECIAL EMPLOYMENT FUND OF TEN BILLION WON WILL PROVIDE JOBS FOR NEEDY AS NECESSARY.

6. GOVERNMENT WILL SUBSIDIZE THIRTY BILLION WON IN BANK LOANS AT 12 PER CENT INTEREST TO SMALL AND MEDIUM INDUSTRIES.

7. MEASURES WILL BE STRENGTHENED TO ASSURE PROMPT PAYMENT OF WAGES AND TO PREVENT UNJUSTIFIED DISMISSALS AND WORSENING OF WORKING CONDITIONS.

8. SUBSTANTIAL INCREASES HAVE BEEN MADE IN TAXES ON LUXURY ITEMS SUCH AS AUTOMOBILES, TV'S , GOLF

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PLAYING AND LARGE HOUSES WHILE REDUCING PROPERTY TAX FOR POOR.

9. GASOLINE TAX HAS BEEN INCREASED 50 PER CENT TO CONSERVE OIL.

10. CIVIL SERVANTS WILL RECEIVE AVERAGE 10 PER CENT SLARY INCREASE IN FEBRUARY RATHER THAN APRIL AS

ORIGINALLY SCHEDULED.

11. TENTH POINT IN PROGRAM CONSISTS OF FOLLOWING
SEVEN GENERAL POLICY MEASURES:

A. GOVERNMENT EXPENDITURES WILL BE REDUCED BY
50 BILLION WON TO PRODUCE EQUIVALENT BUDGET SURPLUS.
ECONOMIES WILL BE MADE MAINLY IN CONSTRUCTION EXPENDITURES.
SINCE OTHER TAX AND EXPENDITURE CHANGES DETAILED
ABOVE WILL HAVE EFFECT OF INCREASING BUDGET
REVENUES AND EXPENDITURES BY 33 BILLION WON EACH
ABOVE APPROVED 1974 BUDGET LEVELS OF 848 BILLION
WON, NET EFFECT WILL BE TO RAISE REVENUES BY 33
BILLION AND REDUCE EXPENDITURES BY 17 BILLION WON.

B) EFFORTS WILL CONTINUE TO MAINTAIN STABILITY
IN THE PRICE AND SUPPLY OF BASIC FOOD AND FUEL
COMMODITIES.

C. INCREASED PRODUCTION OF FOOD, COAL AND OTHER
ENERGY SUBSTITUTES WILL BE ENCOURAGED.

D. SOME IMPORT DUTIES WILL BE INCREASED TO SAVE FOREIGN
EXCHANGE.

E. UNPRODUCTIVE BANK LOANS WILL BE DISCOURAGED
TO MAKE FUNDS AVAILABLE FOR ESSENTIAL BUSINESS
ACTIVITIES AND RESOURCE PROCUREMENT.

F. INTEREST RATES ON DEPOSITS MAY BE INCREASED
TO PROTECT DEPOSITORS.

G. PRICE CONTROL AND ANTI-HOARDING MEASURES WILL
BE STRENGTHENED AND 100 PER CENT TAX WILL BE IMPOSED
ON COMMODITY PROFITEERING.

12. VIOLATION OF THIS DECREE WILL BE TRIED BY REGULAR
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COURTS, UNLESS THEY ALSO INVOLVE VIOLATIONS UNDER
DECREES NO. 1 AND 2 (RE POLITICAL ACTS) IN WHICH CASE
SPECIAL**COURTS-MARTIAL WILL*ASSUME FULL JURISDICTION.

13.* COMMENTS WILL FOLLOW IN SEPT*L.
ERICSON

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